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Corporate Real Estate and Sustainability Survey : Corporate Real Estate and Sustainability in Switzerland

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CRESS 2010

Corporate Real Estate and Sustainability Survey

**Corporate Real Estate
and Sustainability in Switzerland**



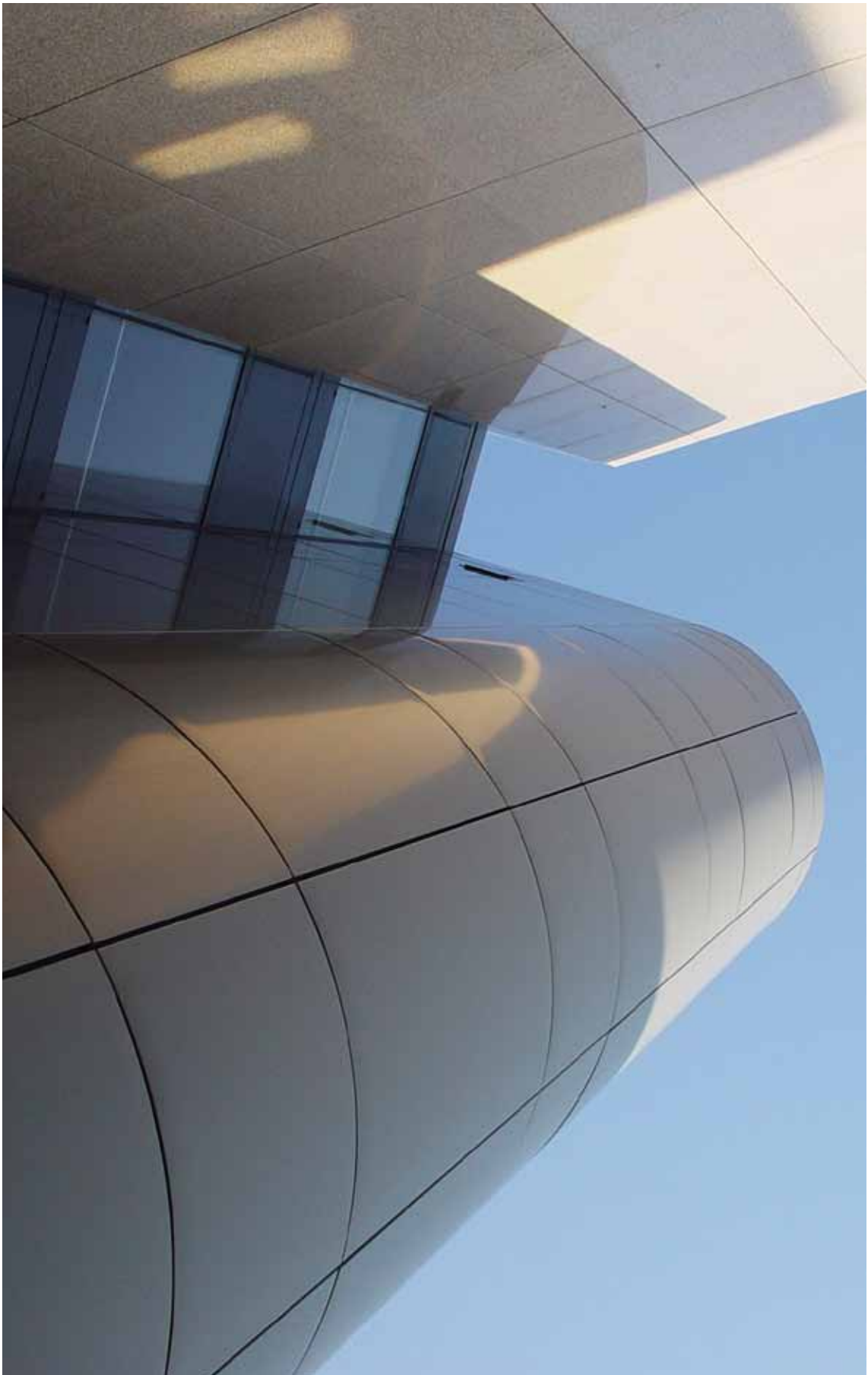
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and Sustainability
at the University of Zurich



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Foreword

It is still the case that very little is known about corporate real estate in Switzerland. This is all the more surprising as it represents an important resource in the production chain of companies. Since last year, the collaboration between CBRE (CB Richard Ellis-PI Performance), a real estate services company operating worldwide, and the CCRS (Center for Corporate Responsibility and Sustainability at the University of Zurich) as part of a research programme on the economic sustainability of real estate has given rise to the Corporate Real Estate and Sustainability Survey (CRESS).

The aim of this CRESS 2010 is to shed light on the subject of corporate real estate sustainability, identify trends and reveal investment potential. Following on from the CRESS 2009, the current version provides a second, more in-depth insight into the subject. Thanks to the further increase in the number of participating companies and the considerable total surface area occupied by these companies, it was possible to extrapolate the total surface area of corporate real estate in Swit-

zerland for the first time. In addition, this year there was a more precise investigation into how the willingness to pay for sustainability is presented and what can be concluded from this in relation to the demand for sustainable properties. How a sustainability label should be structured from the point of view of companies is also discussed.

CBRE and CCRS would like to take this opportunity to thank the participating companies for their constructive and valued cooperation. We look forward to repeating the survey next year as part of an ongoing further development, in order to conduct further research into the subject of corporate real estate and raise companies' awareness of sustainability in relation to their handling of corporate real estate.

Geneva / Zurich, November 2010

Jean Golinelli, CEO
CB Richard Ellis-PI Performance

Dr. Hans-Peter Burkhard, Managing Director
CCRS, University of Zurich



Management Summary

Approximately 240 km² of corporate real estate in Switzerland

This survey is based on a questionnaire sent to large and medium-sized companies in German- and French-speaking Switzerland (full survey of the approximately 1100 companies with 250 or more employees and random samples from the approximately 5500 medium-sized companies with 50 –249 employees). Together the participating companies have a corporate real estate surface area of over 30 km². On this basis it was possible for the first time to extrapolate the total area of corporate real estate in Switzerland. The result indicates a surface area of nearly 240 km².

Further expansion of demand in the order of an additional 5 km²

More than half of the companies assume an expansion of their space requirement in the next two years: This requirement appears above average in the case of service companies and companies with a large proportion of rented property. Around one quarter of participants are of the view that the space requirement cannot be covered by the existing corporate real estate. The additional demand for the next two years is estimated at 5 km². In comparison with the previous year, however, a slight slowdown in the growth trend has been recorded.

Increasing willingness to pay for sustainability and insufficient supply

In comparison with the previous year, companies class sustainability as even more important: Three quarters of companies indicate that sustainability mostly or always play a part in their real estate decisions. This represents a 7 percentage point

increase compared with 2009 (73%, 2009: 66%). The willingness to pay for sustainability has also increased: on average nearly half the companies asked are prepared to pay a premium for sustainability (47%, 2009: 41%). On the other hand, the supply of sustainable properties is regarded as insufficient and the search for corresponding properties is felt to be difficult.

Investment potential of around 1.7 billion CHF for sustainable corporate real estate

The demand for additional space in sustainable real estate properties is estimated at approximately 2 million m² over the next two years. This corresponds to an assumed annual investment potential of around 1.7 billion CHF for new buildings. The demand may come mainly from large companies and service companies and might be higher for purchased properties than for leased properties.

Sustainability label: comprehensive but practical

Today there is (still) no comprehensive sustainability label in Switzerland. According to the vast majority of companies asked (97%), such a label should comprehensively assess the future suitability of a piece of real estate in relation to the environment, economic efficiency and social compatibility. A very high value is placed on practicality: 97% of companies regard cost-effective certification as "important to very important".

Corporate real estate and sustainability in Switzerland

As part of the production chain, great importance is attached to corporate real estate, as in most companies it makes up the second largest cost block after personnel costs. However in Switzerland very little is known about this branch of real estate. Although it is known that building investment from private customers for industry, trade and services accounts for about one quarter (23%) of the total building investment of private customers (34.4 billion CHF for the last survey in 2008; residential: 66%)¹; no exact figures are known for the total area of corporate real estate and there is no reliable data on area development either.

A piece of corporate real estate is an owner-occupied property which is leased or held in ownership for office, sales, trading or production purposes. Real estate held by Swiss companies abroad or as income-producing properties is not counted as corporate real estate in this study.

The basis for this survey is a questionnaire aimed at large and medium-sized companies in Switzerland. More than 1100 companies with 250 or more employees (full survey) and companies selected by random sampling from the approximately 5500 medium-sized companies with 50



– 249 employees were surveyed. Around 180 companies took part in the survey. The participating companies cover a surface area of more than 30 million m² of corporate real estate property in Switzerland. This enables fairly reliable statements to be made on the use of real estate by these groups of companies in Switzerland.

1. Source: Federal Office for Statistics. 2010. Building and empty residences statistics in Switzerland.

Approximately 240 km² of corporate real estate in Switzerland

Based on the questionnaire sent to companies, it has been possible to extrapolate the surface area of corporate real estate in Switzerland for the first time supported by a representative survey. The surface area for large companies with 250 or more employees was extrapolated to begin with. For these companies nearly 30 km² of corporate surface area is covered by the survey. This was extrapolated to the number of companies of this size recorded by the Federal Office for Statistics (BFS). For the companies with 1 – 249 employees, the total surface area was extrapolated on the basis of the average surface area per employee (based on empirical values) to the number of employees in this class of companies recorded

by the BFS (a detailed description of the extrapolation can be found in the Appendix). According to these estimations, the surface area amounts to a total of 238 km². Included here are all office, sales, trading and storage areas of the secondary and tertiary sectors in Switzerland – regardless of whether they are owned by the companies or leased. This means that the surface area of corporate real estate in Switzerland corresponds to the whole surface area of the Canton of Zug (238 km²). Further estimations are possible based on this extrapolation, such as the additional demand for corporate real estate in the next 24 months or a quantification of the additional demand for sustainable properties.

Development of demand

Surface area expansion continues

The trend towards increasing space requirements seems to be continuing: Nearly six out of ten (58%) companies asked assume that their space requirement will increase in the next 24 months. This is somewhat more than in the previous year (2009: 56%). 8% of companies are of the opinion that their space requirements will decrease, which signifies a slight reduction compared with 2009. 29% of companies assume that their space requirement will remain the same.

One quarter of companies need additional space

In this context, an interesting question is whether the increasing need for space can be met with the available areas (in existing corporate real estate), or whether additional areas will be needed. The 58% of companies which assume an increasing space requirement are divided into 33% which

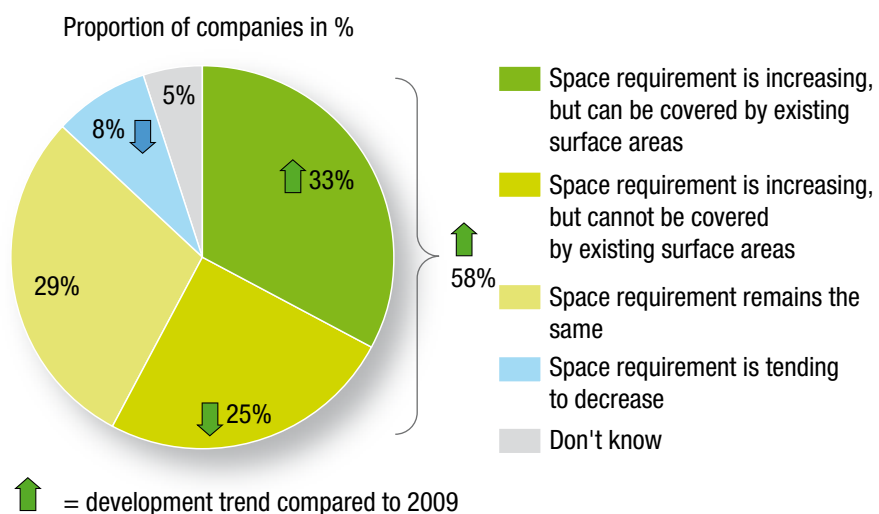
can satisfy their increasing space requirement with existing areas and 25% which assume that the development will not be covered by existing areas.

In comparison with the previous year, the proportion of companies which assume that the growth in the space they need will not be covered has decreased: In 2009, 35% (2010: 25%) of companies indicated that their additional space requirement could not be covered by existing areas, while 21% (2010: 33%) stated that this could be covered by existing areas. The reduction is probably due to the fact that there has been a delay in the impact of optimising processes introduced during the crisis and only taking effect now. In summary, a continuation of expansion is evident, but at a slightly reduced rate.

Fig 1:
How is the space requirement of companies developing?

Question: In your opinion, will the space requirements of your company tend to increase or decrease during the next 24 months...?

Source: CRESS 2010

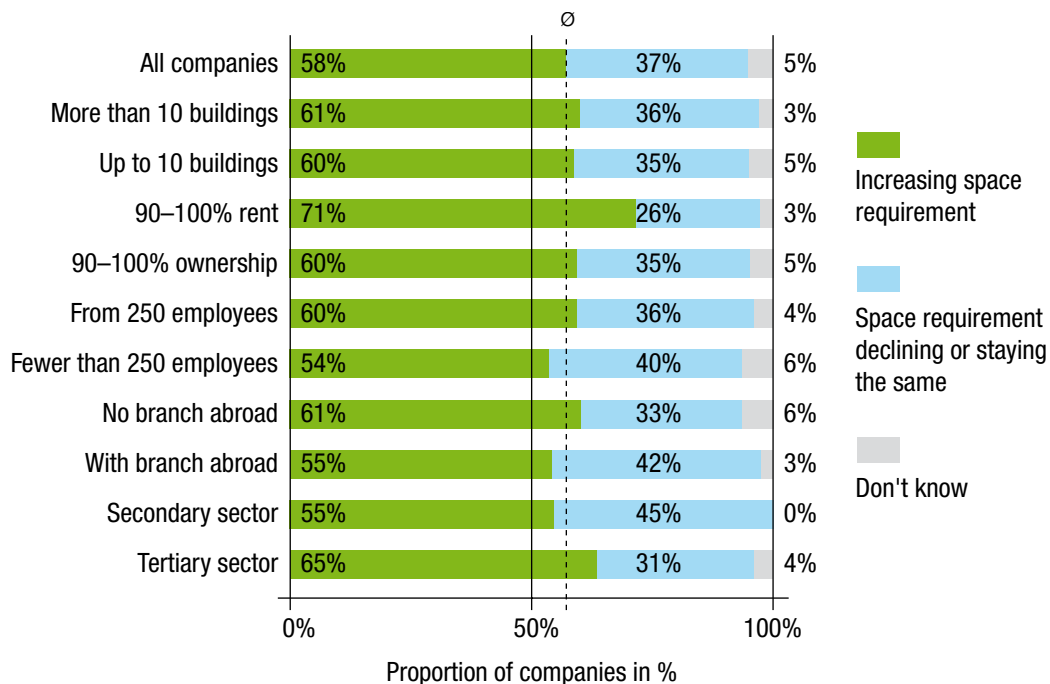


Above-average expansion among tenants and in the service sector

An in-depth analysis shows that an above-average number of companies which lease between 90 – 100% of their corporate real estate assume an additional need for space (71%). Companies from the tertiary sector (65%) also assume an above-average increase in their space requirement. Companies from the secondary sector (55%) still frequently assess their space requirement as growing, but a slightly below-average number of them in comparison. Slight differences can also be identified, depending on the activity of

companies abroad: Companies which operate exclusively in Switzerland assume an increasing space requirement with above-average frequency (61%). International companies, on the other hand, expect an increase in the development of their space requirement with below-average frequency (55%). This may possibly be due to the fact that the economic climate in Switzerland has been very favourable based on an international comparison. These results had already emerged from the previous year's survey – the trend is therefore continuing.

Fig. 2: Development of the space requirement by company characteristics



Question: In your opinion, will the space requirements of your company tend to increase or decrease during the next 24 months...?

Source: CRESS 2010

Estimated additional demand of around 5 million m²

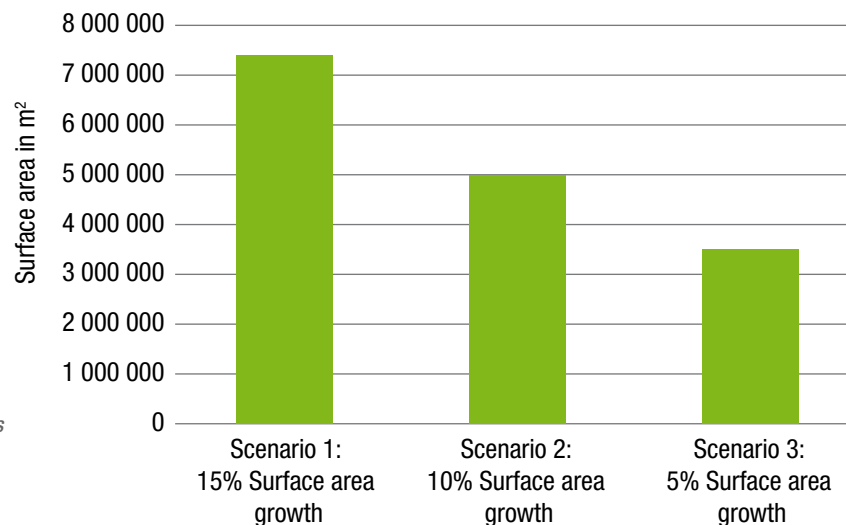
Based on the above information regarding the space requirement not covered, the demand for additional areas can be quantified by extrapolating the total area of corporate real estate (a detailed description of the estimate can be found in the Appendix). According to these estimates, an additional demand for between 2.5 and 7.5 million

m² of corporate real estate will arise in the next 24 months (depending on the scenario²). This roughly corresponds to the estimated stock of office space in the City of Zurich (about 5.8 km²). Expressed as a proportion of the total area of corporate real estate, this is equivalent to an expansion in the order of 1 to 3 % over the next two years.

Fig. 3:
Additional demand
for corporate
real estate

Estimate of the additional space requirement in the next 24 months which cannot be covered by the existing surface areas

Source: GRESS 2010



2. For estimation purposes, assumptions have to be made about the extent of the expansion. As these assumptions are by their nature uncertain, three different scenarios were used. These quantify the extent of the expansion for those companies which assume an increasing, but uncovered space requirement. The following scenarios were used: 1. The area grows by 15 % in the next two years. / 2. The area grows by 10 % in the next two years. / 3. The area grows by 5 % in the next two years. These scenarios are based on the assumption that if companies do actually buy or lease new areas, they do it "properly", i. e. a certain requirement has built up or a greater expansion is pending. Against this background, the chosen assumptions for the growth of surface areas should really be regarded as conservative.

Focus on ownership conditions

Ownership more frequent than renting

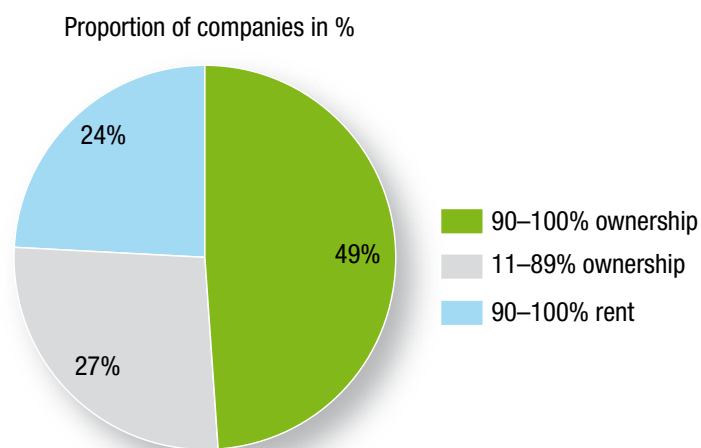
The Swiss are a people who rent – except when it comes to corporate real estate. In this case, ownership is more common than renting. Nearly half of companies (49%) own 90 – 100% of their corporate real estate³. A quarter (24%) of companies have a leased proportion of 90 – 100 % and also around a quarter (27%) have a more diverse portfolio.

The majority of companies which own 90 – 100 % of their corporate real estate are large companies, as far as the corporate area is concerned. They use their space particularly for trade and production purposes.

Fig. 4:
**How is the owned
proportion distributed?**

*Question: How large is the owned
proportion of your corporate real estate?*

Source: CRESS 2010



3. Information in each case as a proportion of the total area held.

Sale and Leaseback – slight increase

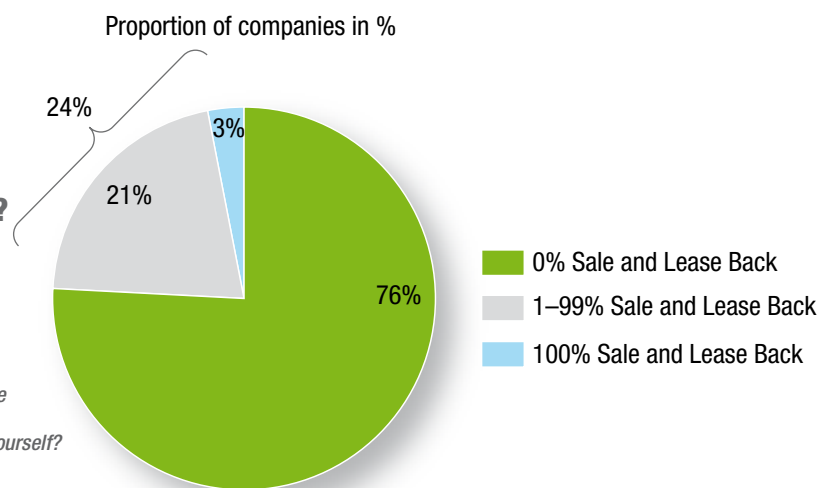
Around a quarter (24%) of all companies have real estate properties on sale and leaseback terms. 3% hold all their real properties in this form. The detailed analysis shows that internationally active companies tend to hold more corporate real estate properties under sale and leaseback agree-

ments than companies which work solely in Switzerland. In last year's survey, 3% of companies indicated that they would conclude more sale and leaseback agreements in future. The slight increase that had been expected has materialised and is in the order of 5 percentage points (2010: 24%, 2009: 19%).

Fig. 5: How high is the proportion of Sale and Lease Back?

Question: How high is the approximate proportion of Sale and Lease Back in the real estate properties you use yourself?

Source: CRESS 2010



Value attached to the sustainability of corporate real estate

Sustainability of central importance

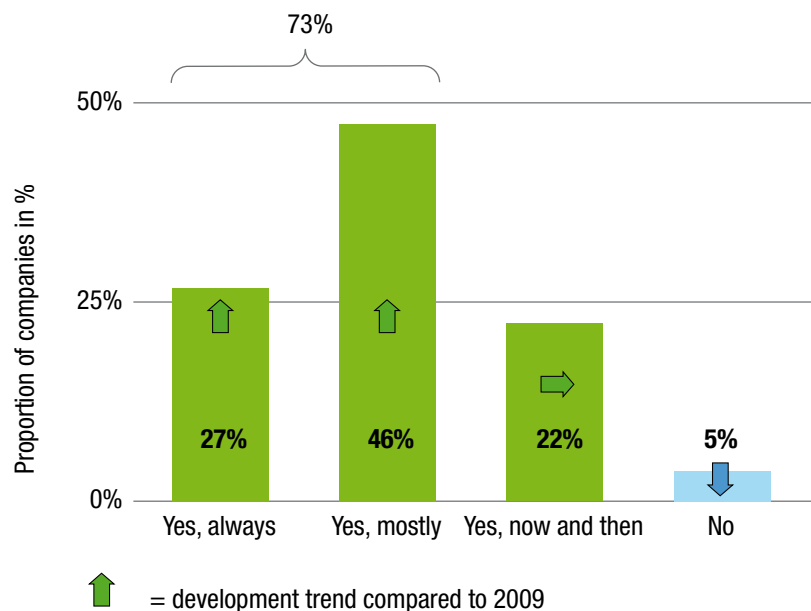
Three quarters of companies state that sustainability mostly or always plays a part in their real estate decisions (73%). This means that companies class sustainability as even more important in comparison with the previous year (2009: 66%). Barely 5 % of companies state that sustainability does not play any part in their real estate deci-

sions. This proportion is declining (2009: 11%). Sustainability is also ranked as pivotal compared with other real estate criteria, such as price, layout and flexibility, as well as location and local infrastructure. The aforementioned criteria are regarded as "important or very important" by more than 90% of companies.

Fig. 6:
Does sustainability play a part in real estate decisions?

Question: Does the subject of sustainability, as you understand the concept, play a part in your real estate decisions?

Source: CRESS 2010



Sustainability from a financial perspective

Good cost-benefit ratio

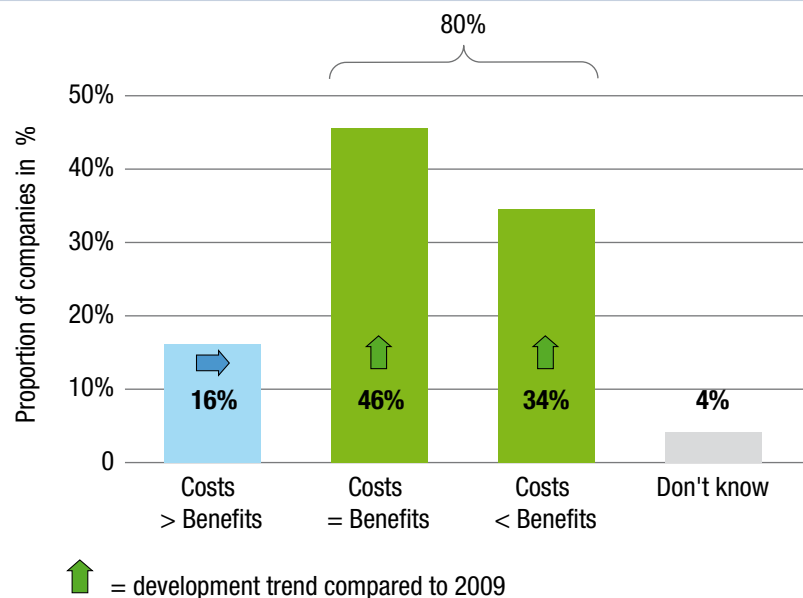
The cost-benefit ratio of sustainability is assessed as neutral to positive: 80% of companies assess the benefits of sustainability in the case of corporate real estate as at least the same (46%) or greater (34%) than the costs. This represents a 15% increase compared with 2009. This increase can probably be interpreted as reflecting the decline in the proportion of companies which

are undecided about this question: It seems that companies have formed a clearer opinion on sustainability and are possibly also better informed. The proportion of companies which evaluate the costs of sustainability as being greater than the benefits has remained unchanged at 16%.

Fig. 7:
How is the cost-benefit ratio of sustainability assessed?

Question: Are you of the opinion that sustainability for corporate real estate costs more than the benefits gained, costs the same, or costs less than benefits gained?

Source: CRESS 2010



Willingness to pay for sustainability is increasing

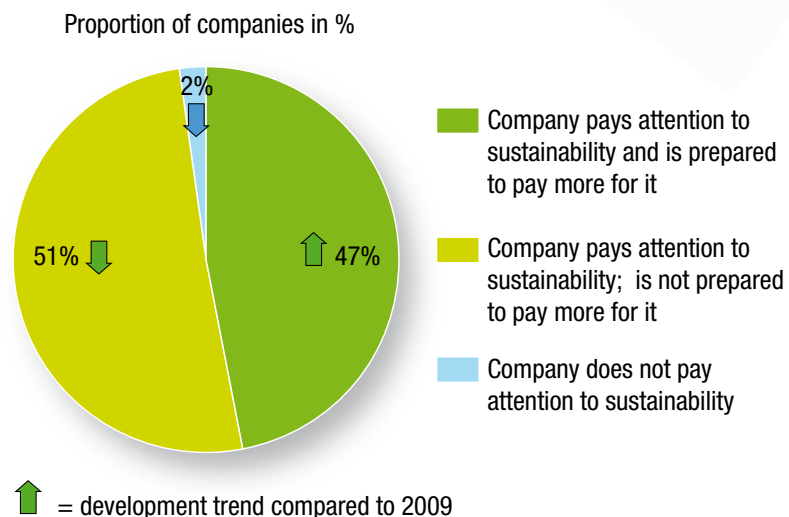
The assessment of the cost-benefit ratio of sustainability is also expressed in the willingness to pay for sustainability: on average, 47% of companies asked are prepared to pay a premium for sustainability. This is 6 percentage points more

than in the previous year (2009: 41%). Companies were not asked how much they were willing to pay. According to the (few) market analyses available on willingness to pay, this is probably in the order of around 5% (see box).

Fig. 8:
How many companies indicate that they are prepared to pay more for sustainability?

Question: Assuming you are faced with the decision of renting, buying or renovating a real estate property, what value do you attach to sustainability?

Source: CRESS 2010



How great is the willingness to pay for sustainability?

The question of whether companies are willing to pay for sustainable real estate and, if they are, how much, is a controversial matter. Studies based on actual market data concerning the willingness to pay are rare. In the study by Eichholtz et al (2008) for office transactions in the USA "Doing Well by Doing Good? Green Office Buildings", companies were prepared to pay around 16 % and for renting, a premium of up to 6%. These figures apply to office buildings certified as energy efficient. For Switzerland, two market analyses on willingness to pay were published by the Zürcher Kantonalbank and CCRS for Minergie. In the case of Minergie leased residential properties there is a greater willingness to pay in the order of around 6 % compared with uncertified residential properties. For transactions, figures of 3.5% (for single storey ownership) and 7% (for single family houses) were recorded. As most of Minergie's real properties are residential properties, the statements can only be applied to corporate real estate to a limited extent. With the focus on energy and ecology, the aforementioned studies also only cover some aspects of sustainability.

In comparison with studies which are based on actual market data (rents and transactions), the willingness to pay determined by means of surveys must be treated with caution, as expressing a willingness to pay when asked and actually being willing to pay in practice are often two different things. Nevertheless, the findings of the present survey may help to complete the picture. They provide the only indication of the willingness to pay for sustainable corporate real estate in Switzerland.

Further sources (selection):

- ☐ Minergie pays for itself: www.ccrs.uzh.ch
- ☐ The Minergie boom under the magnifier: www.ccrs.uzh.ch
- ☐ Who Pays for Green?: www.cbre.com
- ☐ Doing Well by Doing Good? Green Office Buildings: <http://www.escholarship.org>

Supply of sustainable real estate

Supply is inadequate

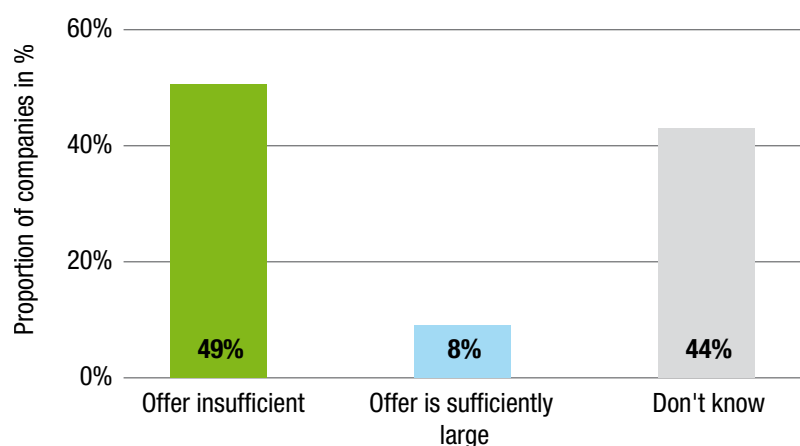
It is clear from the results described above that great importance is attached to sustainability and that there is a corresponding willingness to pay for it. The question that now arises is how the supply of sustainable corporate real estate is evaluated. The answers given by the companies asked show that there is obviously a shortage. Only 8% of companies are of the view that there is an adequate supply. 49% believe the supply to be inadequate. The proportion of companies, which did not have a clear opinion on this question, is strikingly large (44%). The tendency, therefore, is for

the supply to be assessed as inadequate, which is consistent with observations made in practice. An extension of the supply in various regions and for various uses is necessary. It is interesting to see that the way in which the supply is assessed seems to depend on the branch of industry concerned: On average, service companies assess the supply as inadequate far more frequently than companies from industry. This applies in particular to real estate businesses, public authorities and health and social services.

Fig. 9:
Is the offer of sustainable corporate real estate sufficient in Switzerland?

Question: Regardless of whether you have looked yourself in the past, are you of the opinion that the offer of sustainable properties is sufficiently large in Switzerland?

Source: CRESS 2010



The search proves difficult

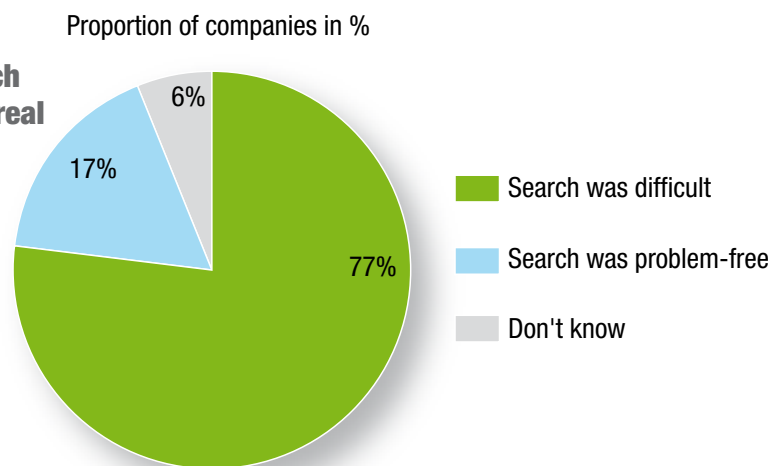
Given what has been assessed as a scant supply, it is not surprising that the search for sustainable properties is felt to be difficult. This was stated by 77% of companies which had already been specifically looking for sustainable properties. The reasons most frequently given for the difficulty

were that the real properties were not the right size (52%), were in an unsuitable location (48%) or that there were simply no potential real estate properties (41%). Price was only cited in fourth place on average (37%) and does therefore not seem to play a primary role.

Fig . 10: How did the search for sustainable corporate real estate go?

Question: How did the search for sustainable real estate for your own use go?

Source: CRESS 2010



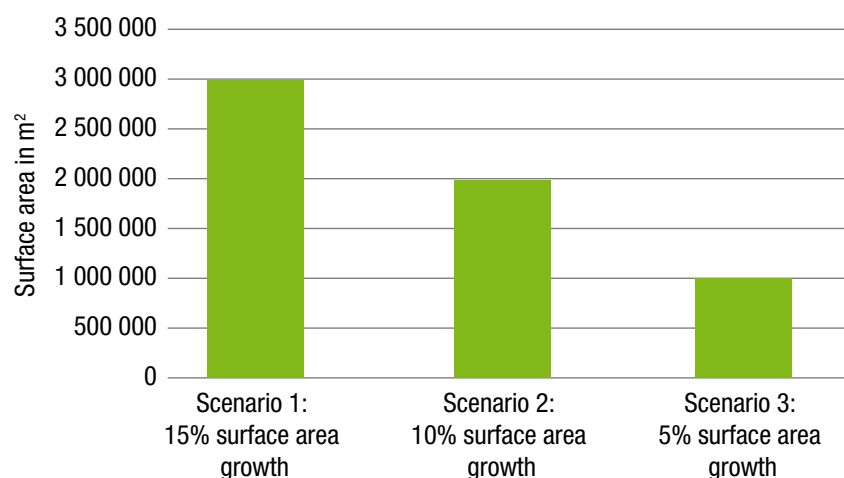
Demand for sustainable corporate real estate

Estimated additional demand around 2 million m²

The demand for additional space was estimated, depending on scenario, at a total of 2.5 to 7.5 million m². The question is how much of this was explicitly asked for as sustainable corporate real estate. An estimate is possible based on the total additional demand and the willingness to pay (a

description of the estimate can be found in the Appendix). Depending on the scenario, this results in demand for additional sustainable space of between 1 and 3 million m² over the next two years. This makes up a good 40% of the total additional demand for corporate real estate over the next two years.

Fig. 11:
Additional demand
for sustainable
corporate real estate



Estimate of the additional demand for sustainable corporate real estate in the next 24 months

Source: CRESS 2010

Sustainability investment potential: around 1.7 billion CHF

The investment potential can also be assessed based on the estimate of the additional demand for sustainable properties. Based on assumed average building costs of around 2000 CHF/m² for office buildings and 1600 CHF/m² for other

corporate real estate, this gives an annual investment potential of around 1.7 billion CHF for newly built sustainable corporate real estate – assuming that these are new buildings. Depending on the scenario, the value is estimated at between 0.9 and 2.6 billion CHF (a description of the estimate is contained in the Appendix).

A closer look at demand

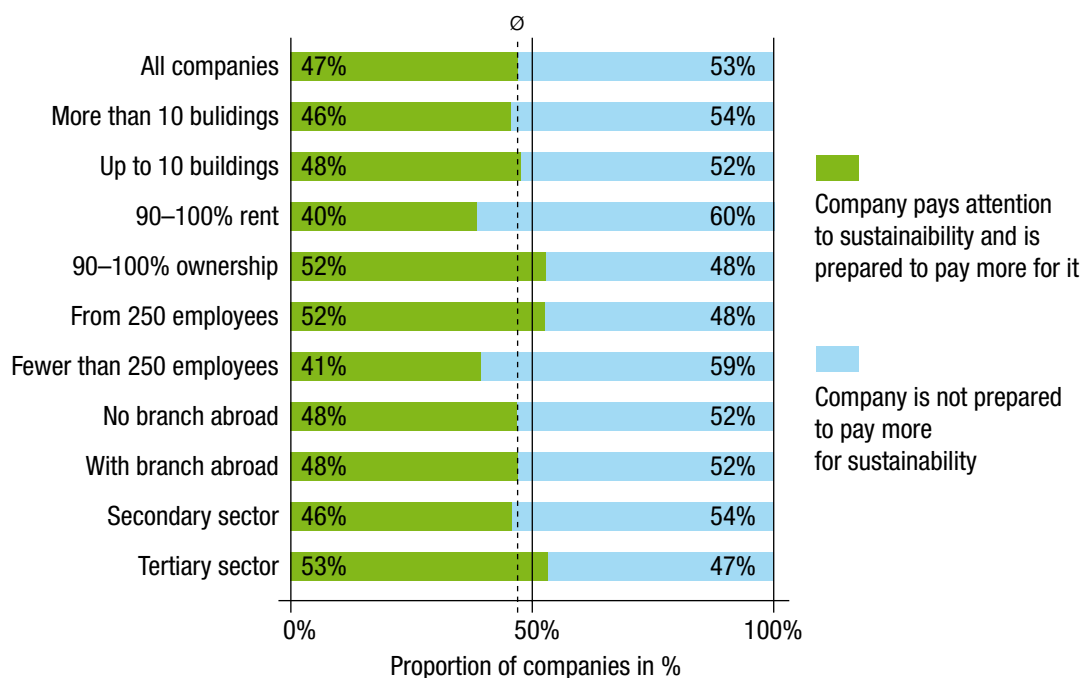
Demand is higher among large companies from the service sector

The detailed analysis shows that large companies with 250 or more employees show a willingness to pay for sustainability with an above-average frequency. Intuitively, this makes sense, as large companies are more likely to have a sustainability officer and / or a sustainability or corporate social responsibility (CSR) strategy. A willingness to pay is also evident in an above-average number of cases among companies which own a high proportion of their corporate real estate. This finding is consistent with the fact that a willingness to pay

is stated more frequently in the case of purchase and renovation decisions than of rental decisions.

In addition, there are differences between industrial sectors. In principle, companies from the service sector demonstrate an above-average willingness to pay compared with industrial concerns. The willingness to pay seems to be particularly widespread among public administrations and health and social service operations and in the case of banks and insurance companies.

Fig. 12: Willingness to pay for sustainability by company characteristics



Question: Assuming you are faced with the decision of renting, buying or renovating a real estate property, what value do you attach to sustainability?

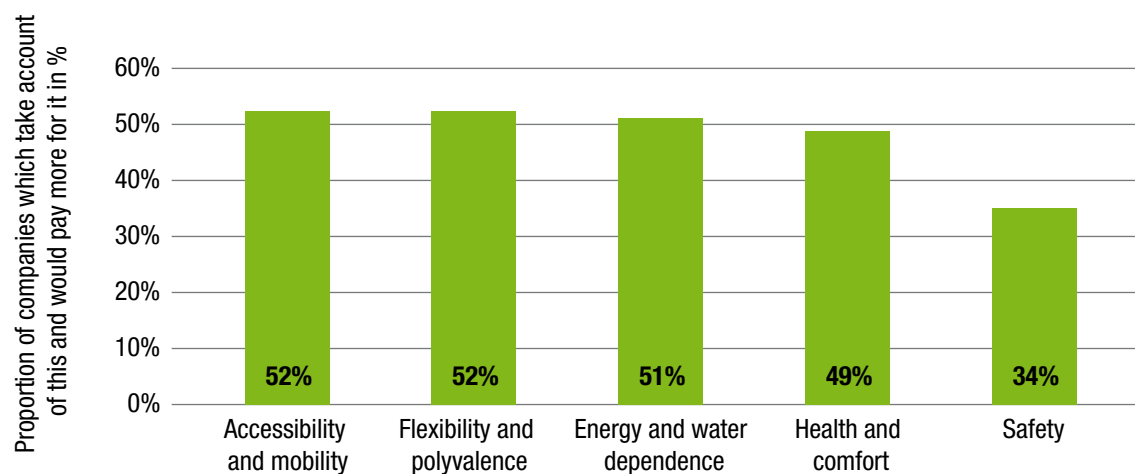
Source: CRESS 2010

Willingness to pay for individual sustainability characteristics

The survey also provides information on which sustainability characteristics companies are most willing to pay for. For most characteristics, around half of companies are prepared to pay a premium. Taking all characteristics into account, only one major difference emerges: on the subject of “safety” only 34% of companies are willing to pay. Safety in connection with extreme weather events due to climate change is certainly an important sustainability topic. The relatively below-average willingness to pay could be associated with the fact that safety is not regarded first and foremost as a sustainability-related topic.

It is interesting that the willingness to pay for individual sustainability characteristics is heavily dependent on whether it involves a decision to rent or to buy or renovate: In the case of renting decisions, a willingness to pay for the “accessibility and mobility” feature is evident with above-average frequency, whereas in the case of a purchase the willingness to pay for “energy and water dependence” and for “flexibility and versatility” is widespread. It is clear that energy and flexibility are topics that are particularly important for long-term decision-making, which is why they tend to be of greater significance in purchasing decisions.

Fig 13:
Willingness to pay according to sustainability characteristics



Question: Assuming you are faced with the decision of renting, buying or renovating a real property, what importance do you attach to the following sustainability characteristics?

Source: CRESS 2010

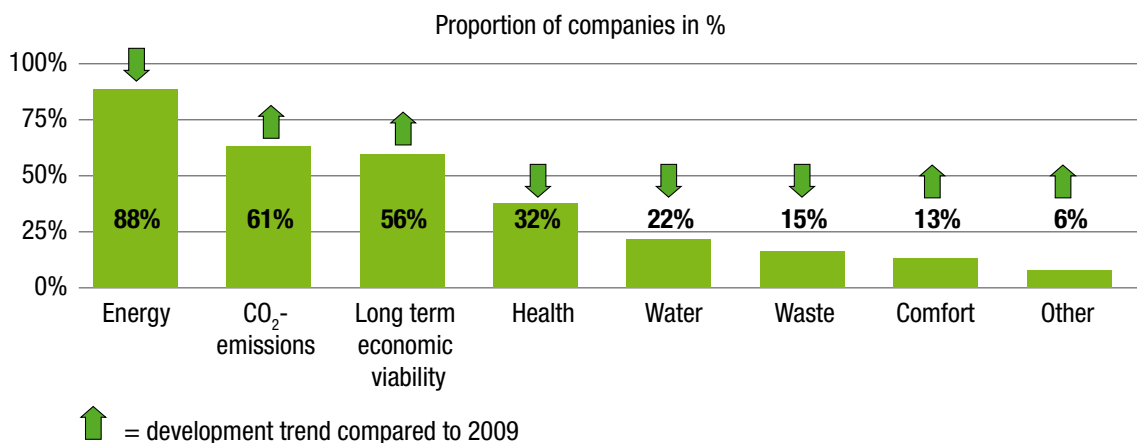
Spotlight on implementation: Most important topics and measures

Energy still pivotal

Sustainability is not a precise concept, but must be tailored to the relevant environment. Against this background, it is interesting to find out which aspects of sustainability are most relevant from the point of view of companies. The three most important sustainability topics indicated continue unchanged from 2009 and are energy (important to 88% of companies), CO₂ emissions (61%) and

long-term financial viability (56%). The topic of waste is mentioned noticeably less often (15%, 2009: 38%). This may be connected to the fact that the understanding of sustainability has become broader and other topics are increasingly in the spotlight.

Fig. 14:
What are the most important sustainability topics for corporate real estate?



Question: What, in your opinion, are the three most important topics in relation to sustainability for corporate real estate properties you use yourself? (up to three answers possible)

Source: CRESS 2010

Assessment depends on the industrial sector

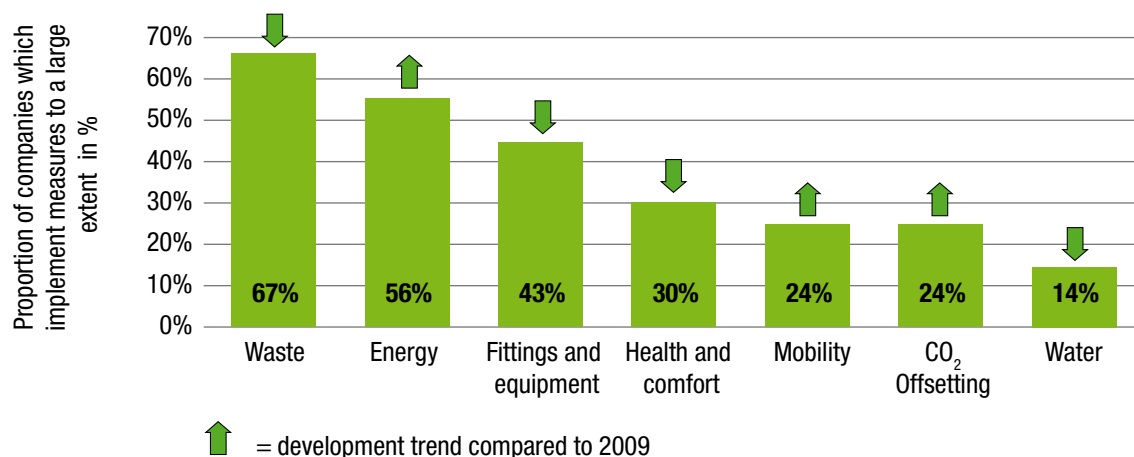
As far as CO₂ emissions are concerned, the following trend can be observed: Among companies with more than ten pieces of corporate real estate, 69% count CO₂ emissions among the three most important sustainability topics, whereas this is not so marked among companies with up to ten pieces of corporate real estate (56%). There are also differences between sectors: The subject of energy is regarded as the most important topic by companies from both the secondary and the tertiary sector. However, companies in the tertiary sector give energy a high ranking with an above-average frequency (90%, secondary sector: 81%). Service companies are possibly more aware of electrical power consumption. Companies operating in the secondary sector classify CO₂-emissions as important with an above-average frequency (66 %, in the tertiary sector: 53 %). The

topic of health is also regarded as relevant by an above-average number of companies from the secondary sector (44%, tertiary sector 28%).

Most frequent implementation in the waste area

Due to the importance of the topics, energy-relevant measures should be implemented most often. 56% of companies actually do this to a large extent. However, the waste area is clearly in the lead as far as implementation is concerned, with 67% of companies implementing measures to a large extent and 28% to a lesser extent. This is surprising in view of the fact that only 15% of companies regard waste as one of the three most important sustainability topics. A discrepancy is evident between the assessment of the importance of the topic and the corresponding implementation. In this regard there is no significant change in comparison with the previous year.

Fig. 15: What sustainability measures are implemented?

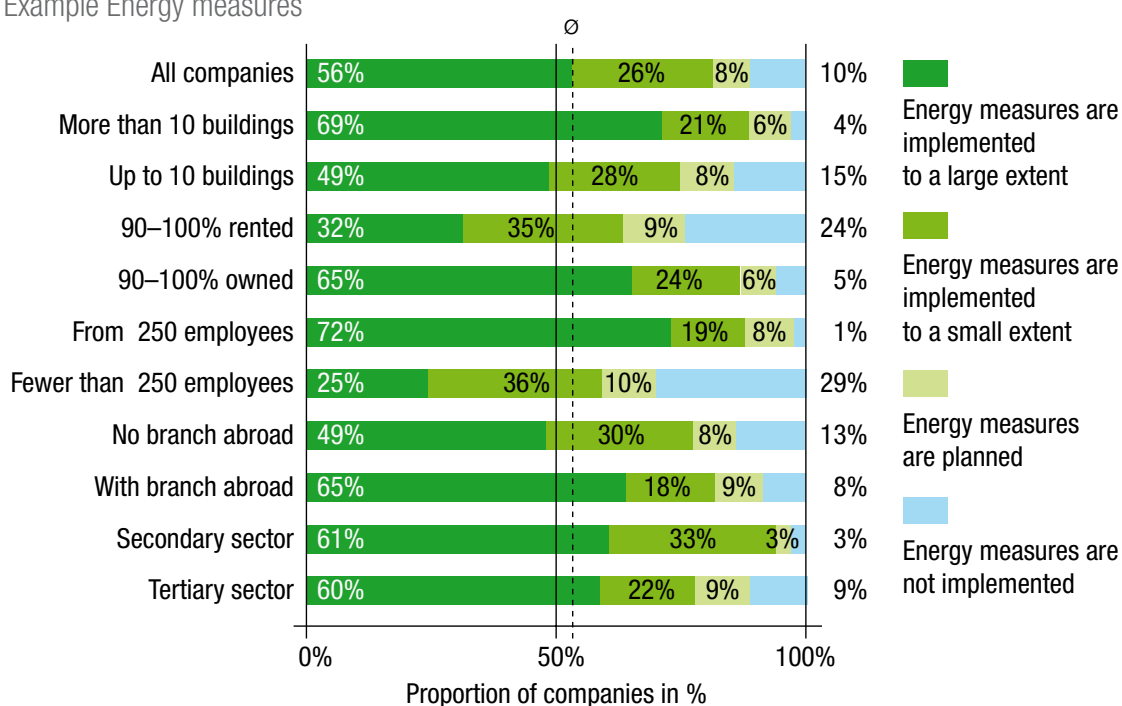


Question: How far are one or more of the following sustainability measures implemented in your company?
(Multiple answers possible)

Source: GRESS 2010

Fig. 16: Implementation by company characteristics

Example Energy measures



Question: How far are one or more of the following measures implemented in your company?

Source: CRESS 2010

Large companies and owners more active in implementation

Sustainability measures in corporate real estate are implemented by large companies with 250 employees or more and companies with an owned proportion of real estate property of 90 – 100% with a greater than average frequency as compared with medium-sized companies and companies with a high proportion of rented real estate property of 90 – 100%. The greatest differences are evident in the case of energy measures: These are implemented extensively by 72% of large companies with more than 249 employ-

ees (in contrast with 25% in the case of medium-sized companies). Significant differences are also evident between owners and tenants. Companies that own nearly all their corporate real estate, implement energy measures with above-average frequency and tenants with below-average frequency. These results are consistent with the finding that tenants and owners follow essentially different strategies: The greater willingness among owners to invest in building-related measures which are effective over the long term compared with tenants is not very surprising.

Sustainable management of corporate real estate – but how?

Sustainability management in companies comprises the three elements of environment, economy and society. The challenge is to increase the company's economic performance while taking account of eco-efficiency and socio-efficiency. This requires environmental and social management to be integrated into classic business management. Corporate real estate is an important part of sustainability management.

The IPD Environment Code was developed as a support for companies in introducing sustainability management and implementing the measures necessary for this. According to this, the most important areas for a company when it comes to implementing sustainability are energy, waste, water, fittings and equipment, health and comfort and CO2 offsetting. The coordination conference of the Building and Real Estate Bodies of Public Building Sponsors (KBOB) and the Association of private professional building owners (IPB) have issued a guideline for sustainable real estate management in Switzerland. This contains examples of 44 sustainability objectives and measures for achieving these, divided into the elements environment, economy and society.

Further sources (selection):

- ☐ *“IPD Environment Code”: www.ipdoccupiers.com/environmentcode/*
- ☐ *“Sustainable real estate management – the risks of today are the opportunities of tomorrow.”
“IPB/KBOB: www.bbl.admin.ch/kbob/*
- ☐ *“Sustainability management in companies – from idea to practice: management approaches for implementing corporate social responsibility and corporate sustainability“:
Center for Sustainability Management: www.leuphana.de/csm/*
- ☐ *“Global glossary of Sustainability terms”: <http://www.rics.org/>*

Motivation for the commitment to sustainability

Against the background of the high value placed on sustainability, the question that emerges is what motivates companies to back sustainability. Most commonly, they express the wish to make a contribution to the environment and to society (80%). The second and third most frequent rea-

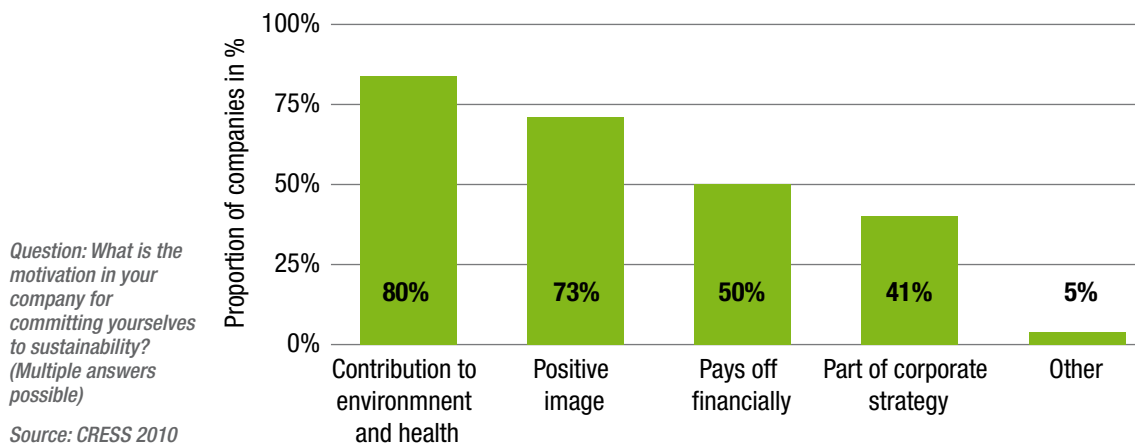
sons are business reasons: 73% of companies state that a positive image is one of the reasons they are motivated to take account of sustainability criteria, and 50% of companies comment that sustainability pays off financially. For 41% of companies, business strategy is the motivation for taking sustainability criteria into account.

A lack of resources as the main reason for not taking sustainability into account

63% of companies which do not take account of sustainability in their real estate decisions give a lack of personnel or financial resources as the reason. A further reason cited is that it is not clear what is meant by the concept of sustainability. It is striking that this reason is given less frequently in

comparison with 2009. This may have to do with the fact that the understanding of how sustainability can be implemented in specific corporate and construction measures has become better developed. Sustainability seems to be becoming clearer as a concept and more important as a theme.

Fig. 17: What is the motivation for the commitment to sustainability?



Focus on the sustainability label

In Switzerland, discussion is ongoing as to whether a sustainability label is necessary for buildings and how such a label should be designed. This discussion was initiated by international companies, among others, which have a commitment to sustainability laid down in their strategy and mission statement, and are therefore specifically looking for real estate with the relevant sustainability characteristics, and by investors wishing to invest in sustainable real estate. Against this background, the demand for a label and the expectations to be met by it should be ascertained through the survey.

A label is needed – but which one?

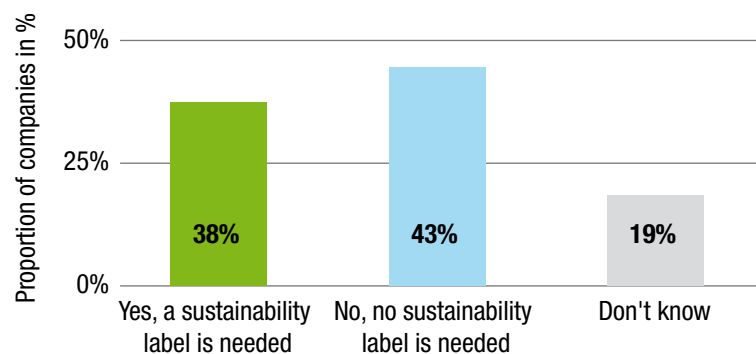
38% of companies regard a new sustainability label in Switzerland as necessary. This is not surprising in view of the fact that 47% of companies consider sustainability when making real estate decisions and are prepared to pay a premium for this. A recognised label would be a reliable indicator of the sustainability qualities of a real estate property in the transaction and rental market.

On the other hand, 43% of companies describe a new sustainability label as unnecessary. At first glance, this figure seems very high. It is understandable, though, considering that two thirds of those asked give the already existing Minergie label as the reason for their judgment (see also box: sustainability label) and nearly one third (28 %) are of the opinion that labels developed abroad will suffice. These voices are not against a label in principle, but consider that an additional, new label is not needed. The Minergie label is obviously perceived as a sustainability indicator, even if it is “only” directed towards energy efficiency and ecological design and construction. Overall, there seems to be great uncertainty as to the direction in which we should move now. This is also shown by the extremely high proportion of those undecided: 19% of companies answered the question by “Don’t know”.

Fig. 18:
**Is a new sustainability
label needed
in Switzerland?**

*Question: Are you of the opinion
that a new sustainability label
is needed in Switzerland?*

Source: CRESS 2010



Include all sustainability elements and yet focus

97% of companies are of the opinion that a new label should include all sustainability elements, which means that it should evaluate suitability for the future in relation to the environment, economy and society. However, excessive punctiliousness and completeness of sustainability criteria are not required (at 25% highest citation in the class "Not important" and at 16% lowest citation in the class "Very important"). 84% of companies regard focussing on a few important sustainability criteria as "important to very important".

Suitability for practical application ranks high

The survey clearly shows that suitability for practical application receives a very high ranking. 97% of companies regard a cost-effective certification as "important to very important". 95% of companies regard simple management for planners as "important to very important". 95% of companies regard simple management for planners as "important to very important" and 89% of companies be-

lieve that setting targets and predetermining non-technical solutions is "important to very important".

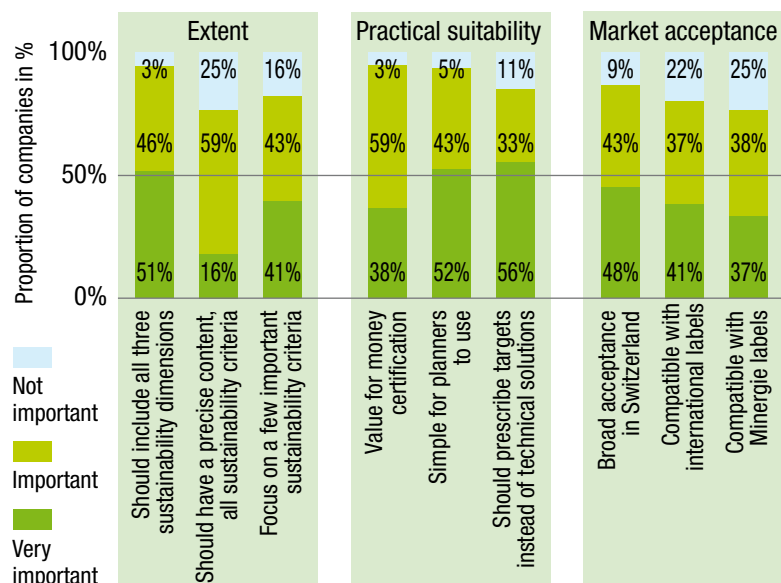
Broad acceptance

91% of companies regard it as "important to very important" that a label should be broadly accepted in Switzerland. A label can only work as a lever in the market if it is "effective within the system", i.e., is accepted and interpreted equally by all players (the building trade, the real estate property industry, investors and financial services and public authorities). The compatibility of a new sustainability label with Minergie or with international labels is less important. The relevant questions are answered considerably more often by "Less important", even if they are still to be regarded as relevant at 75 and 78%, "Important to very important". It is less surprising that companies without branches abroad regard compatibility with labels in Switzerland as more important, while for companies with branches abroad, compatibility with foreign labels is more decisive.

Fig. 19: What are the requirements for a sustainability label?

Question: What requirements should a new label fulfil in your opinion?

Source: CRESS 2010



What (sustainability) labels are there for real estate?

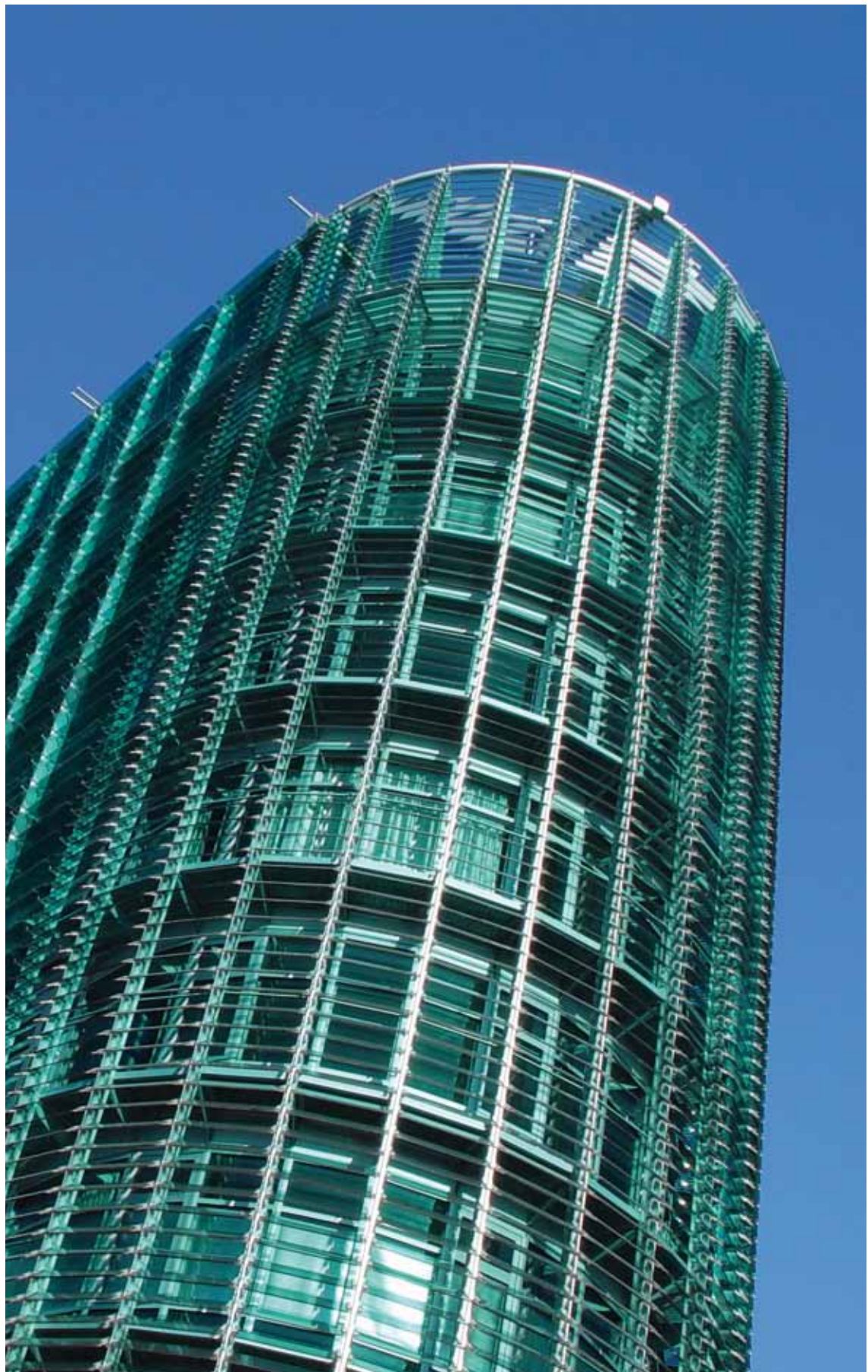
Sustainability is more than energy and ecology. However the current label landscape has hitherto focussed almost exclusively on these aspects.

Switzerland has a good label in Minergie, Minergie-P and Minergie-ECO with excellent market penetration when compared internationally. Approximately 17 500 buildings (around 1% of the Swiss real estate portfolio) are certified in accordance with Minergie and Minergie-P and 150 buildings have the ECO endorsement (status July 2010). The fact that 91% of certified buildings are residential buildings (status August 2009) shows that Minergie has come to the fore in the residential sector in particular. Minergie buildings are characterised by comfort and energy efficiency. Minergie ECO- certified buildings also fulfil requirements for healthy and ecological construction. However, Minergie is not (yet) a comprehensive sustainability label today.

In the international context, there are further, usually national real estate property labels, which in some cases clearly exceed a purely energy-related evaluation and include further sustainability aspects. They still play very little part in Switzerland today, even though initial LEED certifications are planned. The label created by the U.S. Green Building Council LEED (Leadership in Energy and Environmental Design) is also strongly focussed on energy and environment, however. It has had very little implementation to date measured by the stock in the USA (just under 6000 certifications, status July 2010), although its requirements are not very high (LEED silver roughly corresponds to the building specifications applicable in Switzerland). BREEAM (BRE Environmental Assessment Method) is the label which records the best level of implementation in absolute terms with around 100 000 certifications (status January 2010). In terms of content, the focus is on energy and ecology. The label comes from Great Britain, and the certified buildings are nearly all there. There are, however, endeavours to certify buildings in other countries using BREEAM. Versions for the Gulf States and for continental Europe have been developed for this purpose. In contrast with the labels mentioned previously, the German Sustainable Building Quality Seal (DGNB) aims for an overall evaluation of the sustainability of buildings. However the label is a highly complex instrument and applying it in practice involves extensive work and high costs. With 110 certifications (status July 2010) it is also implemented very little. It is planned to develop a DGNB label tailored to Swiss requirements.

Additional sources:

- ☐ *Minergie: www.minergie.ch*
- ☐ *LEED: www.usgbc.org*
- ☐ *BREEAM: www.breeam.org*
- ☐ *DGNB: www.dgnb.de*





Appendix

Survey methodology

For the study, a survey of medium-sized (50 – 249 employees) and large companies (250 employees or more) from the secondary and tertiary sector in Switzerland was carried out. Large companies were all contacted, and in the case of medium-sized companies, random samples were taken, ensuring a representative spread. The comparison with the companies count by the Federal Office for Statistics for 2008 shows that of the companies which responded, those with 250 employees or more are over-represented,

as are companies from the German-speaking part of Switzerland. The survey was carried out by telephone and by an online questionnaire by the survey institute Demoscope in April and May 2010. The addresses were made available by the Federal Office for Statistics. A total of 176 companies took part in the survey. The participating companies have a corporate real estate portfolio with a total surface area of just over 31 million m² and 17 156 corporate real estate properties.

Circular Sample CRESS 2010

Participants in the survey

Number of participating companies	176
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Size of companies

Proportion of companies with up to 249 employees	34%
Proportion of companies from 250 employees	66%

Surface area of corporate real properties

Total sample	31 386 544 m ²
Average surface area	25 500 m ²

Number of corporate real properties

Total sample	17 156
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Extrapolations

The CRESS covers about 10% of companies in Switzerland with more than 249 employees. In the case of companies with 1 – 249 employees, the coverage is below 1 percent. The extrapolation was therefore carried out in two parts: For calculating the total surface area of corporate real estate, it was assumed for companies with 1 – 249 employees that the average surface area per employee in these companies is around 80 square metres. (The surface area requirement per employee may fluctuate greatly according to industrial sector and company, and the 80 m² represent a rough average value over all companies, based on empirical values.) This figure was extrapolated with the number of employees recorded (2 327 802 in 2008⁴). For companies with more than 249 employees, the average surface areas of the total surface area of corporate real estate recorded by CRESS (45 000 square metres) was extrapolated to the actual number of companies in this size class (1154 companies⁵). Together these two estimates give the extrapolated surface area of corporate real estate in Switzerland. Included here, therefore, are all office, sales, trading and storage areas of the secondary and tertiary sector in Switzerland - regardless of whether they are owned by companies or are leased. Surface areas which are used by agricultural businesses are not included.

To extrapolate the additional demand, the proportion of companies that indicated in the survey that

their surface area requirements would increase and not be covered in the next 24 months (19% of companies with up to 249 employees and 28 % of companies with 250 employees or more) was used. An increase in surface area of 5 – 15 % was assumed for these companies, depending on the scenario, and this was used to calculate the various surface area increases.

To estimate the additional demand for specifically sustainable properties, the proportion of companies that recorded a willingness to pay for the characteristic “general sustainability” (30% of companies with up to 249 employees and 64% of companies from 250 employees) was taken. The additional demand for specifically sustainable surface areas was calculated from these figures and the estimated additional demand.

The investment potential was estimated based on this assessment and the average new building costs for corporate real estate. Average new building costs of 2,000 CHF/m² for office buildings and 1600 CHF/m² for other corporate real estate were assumed for the estimate – these assumptions are based on empirical values. With an assumed ratio of 1/3 office and 2/3 other areas, this gives an average value of around 1,700 CHF/m² over all corporate real estate.

4. Source: Federal Office for Statistics, companies count 2008

5. Source: Federal Office for Statistics, companies count 2008

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